

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*



VOLUME III, NUMBER 43

WASHINGTON, D. C.

JULY 9, 1934

## Plots to Overthrow Nazi Power Crushed

**Hitler Ruthlessly Executes Leaders of  
Storm Troops and Reactionaries  
Who Menaced Him**

### MOVEMENT TOWARD RIGHT SEEN

**Housecleaning Ousts Radicals  
but Fundamental Ills May  
Bring Future Trouble**

June 30 will be remembered as an important turning point in the history of German National Socialism. Possibly it will be looked back upon as the day on which Adolf Hitler brutally crushed all opposition and emerged stronger than ever as undisputed master over the harassed German people. On the other hand it may be recorded as the date which marked the beginning of the end for the tempestuous Führer whose Naziism brought the Reich into a dizzy tailspin of bankruptcy and upheaval. No one can safely say at this moment which of these two judgments will eventually be pronounced. Events are too close upon us, the future too clouded in a haze of uncertainty to hazard a conclusion. We can only take account of those events as they come tumbling confusedly out of the bewildered scene and await further developments.

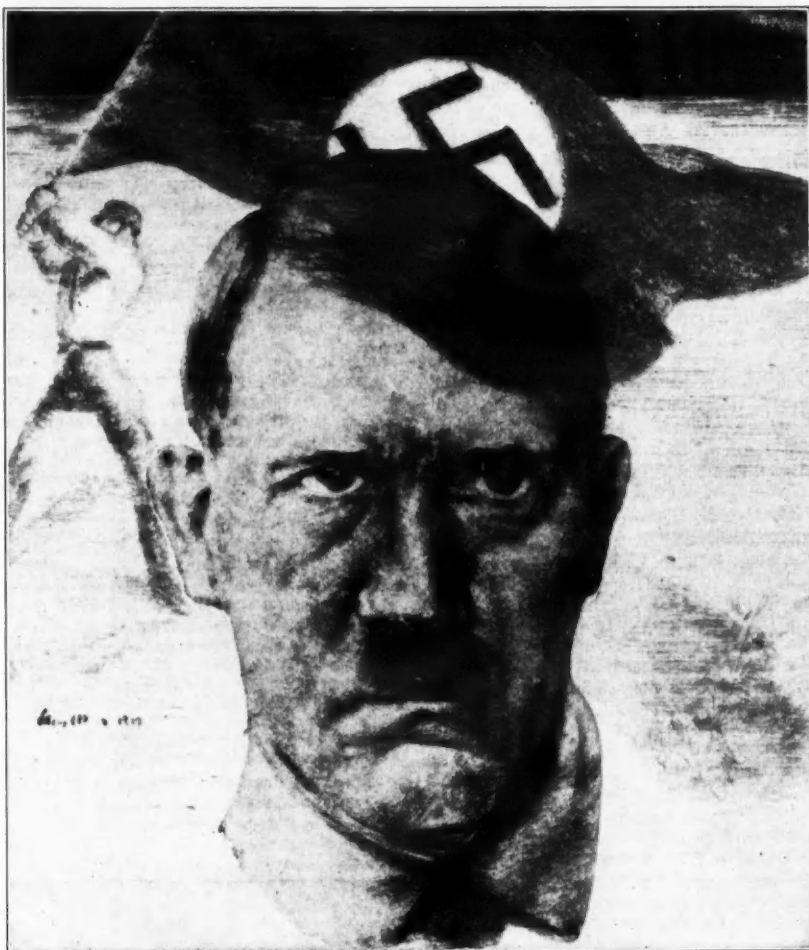
#### Hitler Victorious

For the moment Hitler is victorious. He has struck swiftly and has executed leaders—both radical and conservative—who, it is charged, were preparing an attempt to oust him from power. Captain Ernst Roehm, close friend of the chancellor, supreme head of the Storm Troops and ring-leader of the plotted revolt; General Kurt von Schleicher, former chancellor and army man who may have been cast for the role of military dictator; Karl Ernst, group leader of the Berlin Storm Troops; five other group leaders in various parts of Germany; Erich Klausener, a leader of the Catholic Action Society; Herr von Bose, aide to Vice-Chancellor Franz von Papen—these are among the important figures who suffered sudden death during the course of Germany's bloody week-end. It is unofficially reported that at least 200 lost their lives as a result of the purging. This number is merely tentative, however, and may be raised or lowered by later dispatches.

There is an amazing story to be told about the happenings in Germany over the last few weeks—one which is not yet wholly clear and probably will not be until some one in a position to know decides to give the real account of what actually took place. Communiqués have been issued, statements and speeches have been made to explain the actions of Hitler and those loyal lieutenants—notably Prussian Premier Hermann Wilhelm Goering—who helped Der Führer to crush the incipient plots against his régime, but none of the explanations is wholly convincing. However, so far as can be determined at the present time, the situation is as follows:

It appears that Hitler's position was menaced from two quarters (See AMERICAN OBSERVER, July 2, 1934), from the radicals and conservatives who in recent months have been chafing over failure of the government to pursue policies in accordance

(Continued on page 6, column 1)



DER FUHRER — ADOLF HITLER  
(Illustration from cover of "Die Woche")

## The Month of June — A Chronology

### DOMESTIC EVENTS

June 2. President Roosevelt authorizes a work program for the drought-ridden sections of the country.

June 4. The United States government is informed that Great Britain will suspend its June 15 payment on war debts. The Senate passed the tariff bill.

June 6. Henry P. Fletcher is named chairman of the Republican national committee. The House passes the tariff bill. The president signs the stock exchange control bill.

June 7. The NRA announces a new policy with regard to price fixing.

June 8. In a special message to Congress, President Roosevelt outlines a program of social legislation for the next session.

June 9. The president requests Congress to appropriate \$525,000,000 for drought relief. The communications control bill is passed by Congress.

June 12. Secretary Hull replies to the British war debt note with a suggestion that payment in kind is a possibility. The president signs the tariff and air mail bills.

June 15. All debtor nations except Finland default on their war debt payments. The proposed steel strike is postponed.

June 18. President Roosevelt signs the silver bill. The Seventy-third Congress adjourns.

June 28. Secretary Hull replies to the German government on its debt moratorium. President Roosevelt delivers an address to the nation.

### FOREIGN EVENTS

June 2. Germany faces a financial crisis as gold reserve dwindles.

June 5. The British parliament unanimously supports the government on its war debt default stand.

June 7. A plan to save the disarmament conference is agreed upon at Geneva.

June 11. The arms parley adjourns after appointing four committees to continue work.

June 14. Hitler and Mussolini meet in Venice to confer on European situation. Germany declares a moratorium on its foreign debts.

June 15. Hitler and Mussolini agree on the maintenance of Austrian independence. Various European countries act to protect themselves against German debt moratorium.

June 17. Franz von Papen, vice-chancellor of Germany, delivers a speech in which he upholds right to criticize government, revealing clash within cabinet.

June 20. French Foreign Minister Barthou visits Rumania.

June 21. Fighting in Gran Chaco becomes more intense as 80,000 men are thrown into the fray.

June 24. Hitler threatens to boycott foreign goods if other countries engage in trade wars against Germany.

June 27. Great Britain takes steps to double its air force.

June 30. Hitler acts to curb revolt among high officials, resulting in a number of executions, "suicides" and arrests. More than 200 are reported killed in the Nazi "housecleaning."

## Collective Medical Practice Discussed

**Health Insurance Plans Gain Momentum Despite Opposition of  
Most Physicians**

### LOS ANGELES CLINIC ATTACKED

**Two Doctors Are Ousted from  
Medical Society for Engaging  
in Group Practice**

What should be done to make it possible for the mass of people with low incomes to obtain proper medical care when sickness rears its ugly head in their homes? Would it be possible to work out a nation-wide system enabling families to pay a small weekly or monthly fee which would cover the expenses of any medical treatment or hospital care they might need? If such a system could be devised, how would it affect the doctors of the nation?

#### Cost of Sickness

The answers to these questions are of vital concern to the nation at large. Millions of American people are unable to have medical care when necessary. The fact that the average family spends about \$108 a year for medical care by no means tells the whole story. Many families may spend but a fraction of this amount, while others may be compelled to spend many times this sum. It is quite probable, for example, that a family with high income, enjoying good food and living quarters, may have very little illness, whereas a low-income family, without these two requisites of good health, may incur exceedingly heavy doctor bills. In fact, a survey conducted by the United States Public Health Service in 1932 clearly showed that people in the lower-income brackets are taken ill far more often than those with higher incomes.

The inability of a large portion of the population to meet the cost of sickness is not a new situation. Even in the prosperous twenties, one-third of all American families were receiving just enough income to purchase the bare necessities of life. When members of these families were stricken with serious illnesses, tremendous hardships were imposed on the rest. Years of hard-earned savings were often wiped out in a short time. If no savings had been accumulated, heavy debts were incurred, or perhaps no medical treatment would be given to the stricken ones at all.

#### Problem Intensified

This problem, of course, has been considerably aggravated since 1929. It is estimated that 15,000,000 families now barely manage to eke out an existence on the incomes and relief they are receiving. It is not difficult to imagine the panic and helplessness created in these homes when somebody becomes ill. The lack of money at such a time may mean permanent affliction or even death. It is the unpredictability of sickness and the inequality of family incomes to meet health expenses which are at the root of the whole problem.

The first comprehensive studies showing serious defects in the treatment of sickness in the United States were made public about one year and a half ago. The studies were conducted by the Committee on

(Concluded on page 7)



# Notes From the News

Federal War on Crime Begins; Wisconsin's Job Insurance Experiment; College I. Q.'s Rise; N. E. A. Convention; Treasury Experts Study Tax System

A VERY important undertaking is being planned in the Treasury Department. Under the direction of Dr. Jacob Viner, special assistant to Secretary Morgenthau, a group of experts is to begin exhaustive studies of government finance and revenue. The work of this group is expected to lead almost certainly to sweeping proposals for reform of federal taxation. Not only is our own system going to be thoroughly examined but studies are also to be made of the British tax system. In England federal taxes are considerably higher than in this country but, due to a well-devised system, the burden is spread more equitably over the population as a whole.

In addition to surveying federal taxation, the Treasury experts will investigate the relationship between federal, state and local tax systems. The overlapping of these systems places a tremendous, unjust burden on certain groups of taxpayers, while at the same time enabling other groups to escape their share of the burden. The administration realizes the necessity of effecting tax reforms in the next few years, in order to start cutting down the



© Acme

**BRAIN TRUSTER NO. 1 LEARNS ABOUT CHINCH BUGS**  
Undersecretary of Agriculture Tugwell sees something of farm troubles on his visit to Iowa. He is inspecting corn damaged by drought and chinch bugs.

huge national debt without imposing too heavy levies on those least able to pay.

The director of the study on taxation, Dr. Viner, is rated as one of the foremost economists of the country. He lectured in Europe for several years before assuming his post as special adviser to the Treasury a few months ago. Before that, he was professor of economics at the University of Chicago.

## Federal Crime Campaign

The Department of Justice, vested with increased crime authority by the late Congress, is beginning its campaign against criminals who rove from one state to another. Local and state authorities only too frequently are unable to cope with elusive criminals who skip from town to town and state to state before these authorities can set the wheels of justice moving. To hand over some of this authority to the federal Department of Justice means that criminals will find it increasingly difficult to evade the law. Federal officials will not be limited to state or county areas, nor will they be faced with the problem of securing extradition papers. From now on a criminal can be tracked relentlessly from Maine to California.

One of the acts recently passed gives the Department of Justice the authority to compile and publish a list of notorious public enemies. Another allows Attorney General Cummings to offer rewards up to \$25,000 for criminals who have violated any federal law. Still another act makes it a federal offense to rob any bank which is a member of the Federal Reserve System.

To add "punch" to this campaign against crime the Department of Justice has invited Justin Miller, dean of the Duke University Law School, to serve as assistant to the solicitor general. Much is expected of this new appointee for he is not only one of the ablest students of criminal law in the country but he is also head of the criminal law section of the American Bar Association.

## Columbia River Project

Construction of the Grand Coulee Dam in the state of Washington has begun. This is one of the government's three great projects to provide cheap electric power and fertile lands to large sections of the country, the other two being Muscle Shoals in the Southeast and Boulder Dam in the Southwest. As at Boulder Dam, the government will attempt to contract with private power companies to carry power from Grand Coulee over private transmission lines. If satisfactory arrangements cannot be made along this line, however, the government will put in its own transmission lines.

Senator Dill of Washington would like to see the creation of a Columbia River Authority similar to the Tennessee Valley Authority to supervise all development of the Columbia River. Whether his desire will be realized depends a great deal upon the success of the Tennessee Valley experiment. Incidentally, President Roosevelt expects to visit the Columbia River project on his return from Hawaii.

## Capital and Labor

Senator William G. McAdoo of California recently delivered an important address in Los Angeles. He declared that a federal law should be passed to require industry to share its surplus earnings with workers by means of a reserve fund for labor. "Under existing practice," he pointed out, "a reserve for capital is set up but no reserve for labor." Asserting that the nation is witnessing the dying struggles of rugged individualism, the California senator continued by saying:

Statesmen of today and the future must devote their efforts toward regulation of economic power and enactment of laws to promote social welfare. By economic power I mean big business and big money interests who for many years have controlled the American government. We must establish a new order under which those who toil will secure a larger and more equitable share of the wealth they help to produce.

It is my profound conviction that a fundamental change should be made in the relations between capital and labor in industry; and by industry I mean every corporation, copartnership or organization engaged in production or in any form of business activity where labor is employed; and by labor I mean the white collar man as well as those who work with their hands. This fundamental change should provide for uniform systems of accounting, under federal authority, varied



© Acme

**LONGSHOREMAN'S STRIKE TIES UP SAN FRANCISCO PORT**  
For more than fifty days shipping has been paralyzed because of the strike which caused 170 ships to lie idle and paralyzed the movement of freight.

to meet the different types of business, so that profits may be accurately determined.

After just compensation to officers and adequate wages to labor as a part of operating costs and reasonable dividends have been declared on invested capital, a certain percentage of the remainder should be set aside as an unemployment and retirement reserve for labor; and, in like manner, a reasonable percentage should be set aside as a reserve for capital. . . . If a surplus remains after these provisions have been satisfied, it should be distributed between labor and invested capital upon an equitable basis. The law to be successful should have national application so that it will bear equally upon industry in all states.

## College Intelligence

A "rather dramatic" advance in the average intelligence of college students has been discovered much to the delight of educators. An investigation, recently made by W. H. Thompson of the Municipal University of Omaha, revealed that out of 188 colleges and universities, students in 157 are making better grades on intelligence tests now than in the pre-depression days.

What is to account for this rather abnormal acquisition of brains by college students? The Washington "Brain Trust" is suspected of having something to do with it, but educators give other reasons, including the following: (1) Efforts of high school teachers to guide their brighter students toward higher education are beginning to show concrete results; (2) scholarship competitions are bringing the colleges more students of superior intelligence; (3) the depression has placed a premium on college educations, so that, to a greater extent than usual, only more serious students are attending.

Finally, it is undoubtedly a fact that students are becoming more test-sophisticated. It is harder to stump them on cleverly-framed questions than formerly. Nevertheless, Mr. Thompson's discovery is encouraging and it may indicate the usher-

ing in of a brighter and more serious type of college student.

## Prominent Social Worker

Since Grace Abbott's resignation as head of the Children's Bureau in the Department of Labor, her assistant, Katharine Lenroot, is under consideration to fill the vacancy. As for qualifications, Miss Lenroot is the logical person to succeed Miss Abbott. But since her father has been prominent in Republican politics, in fact, he was a United States senator from Wisconsin, she may be turned down in order to make way for a Democrat.

Miss Lenroot has devoted many years to social work. She began her career by serving a year with the Wisconsin Industrial Commission, assisting with cost of living studies in connection with the administration of the minimum wage law. She first became connected with the Children's Bureau in 1915 and has played an important role in shaping the policies of this bureau and in enlarging its functions until it has become an indispensable branch of government. Millions of mothers and children benefit each year by its valuable work. Even if Miss Lenroot is not appointed as head of the bureau, it is to be hoped that she continues to play a vital part in this service.

## Job Insurance in Wisconsin

On July 2, Wisconsin became the first state to experiment with compulsory unemployment insurance. Nearly 400,000 employees are involved. Virtually every employer in the state who has given work to at least ten persons for at least eighteen weeks will be subject to the compulsory plan. Only employers will contribute to the insurance fund. Contributions shall stop when the fund amounts to \$75 per employee. Unemployed workers who are eligible for benefits under this plan will receive a maximum of \$10 a week and a minimum of \$5. Furthermore, no worker will be allowed to receive more than ten weeks' benefit payment during any one calendar year.

This plan is based on the theory that a loss of buying power is the principal cause of periods of economic stress and continued unemployment. By keeping up the purchasing power of workers when they become unemployed it is expected that serious depressions will be prevented. This experiment is a forerunner of the national system of unemployment insurance which is expected to be established by the next Congress. Thus, once again, Wisconsin takes the lead in progressive social legislation.

## N. E. A. Convention

The 72nd annual convention of the National Education Association convened last week in Washington. Thousands of teachers, representing every state, flocked to the national capital to discuss educational matters. Two hundred and seventy speeches were scheduled, covering every phase of education.

The delegates were informed that the economic crisis in education appears to be passing, but permanent recovery depends on tax reform.



© Ewing Galloway

**THE CORNELL MEDICAL CENTER, NEW YORK**  
One of the imposing institutional groups of buildings in the world. (See p. 1)



# AROUND THE WORLD

**Mexico:** With the election on July 1 of General Lazaro Cardenas to the presidency of Mexico, that country is prepared to embark upon the six-year program of economic and social reconstruction promised by the victorious candidate. The program in fact promises a "New Deal" for Mexico much more radical in nature than that adopted by the Roosevelt administration for this nation. It is not expected that the new president will steer a course as far to the left as communism or socialism, as he plans to maintain many of the practices of capitalism. There are, however, certain features of this program which are definitely socialistic in nature. As outlined by Samuel Guy Inman in the *New York Times*, the outstanding features of the six-year program are as follows:

**Agriculture**—The solving of the agrarian problem relating to the distribution and restitution of lands and waters; the establishment of farm colonies, free housing with sanitary provisions, free medical services, establishment of schools, application of minimum wage laws and many other provisions; expansion of agricultural credit; provision for the distribution of large land holdings among the small farmers.

**Commerce**—Regulations to provide coordination of private with social interests, limiting liberty of competition. Producers to be aided in adapting their products to the needs of foreign markets. Trade treaties with other countries to be sought.

**Labor**—Unions to be favored; the government to foster social insurance in connection with old age and death; aid in home ownership; industrial schools; programs of sports to aid in health of workers; commissions to study the workers' needs and to assist in eliminating disputes between labor and capital.

**National Economy**—A controlled system of industrialization, looking toward highest production, improvements in salaries and benefits to consumers; medium-capacity industries to be encouraged; and concentration of capital that might destroy small organizations upon which regional or community benefit is based to be prevented. Nationalization of subsoil riches to be attempted by all possible means, and the acquisition of mining deposits by foreigners to be prevented. A national system of electric power generation.

That the new president has received a clear-cut mandate from the people to carry out this drastic program is indicated from the election returns. Señor Cardenas received more than three-fourths of all the votes cast. Moreover, the election was staged in the midst of greater national unity and with fewer disturbances than any election within recent years.

\* \* \*

**Japan:** The cabinet of Premier Makoto Saito tendered its resignation to the emperor of Japan July 3. It had been rumored for some time that this action would be taken as a result of a financial scandal in which the vice-minister of finance and other high government officials were involved. Immediately following the resignation, various interested groups sought to gain control of the government machinery in order to further their own ends. Principal among these were, of course, the military groups—army and navy—which during the last three years have exerted no small influence upon Japanese politics.

While it is not possible at this time to predict the outcome of the internal political difficulties in Tokyo, it appears likely that Saito will be asked by the emperor to form another cabinet. This decision rests largely in the hands of an old, old gentleman, Kimmochi Saionji, the last of the Elder Statesmen, who for decades were close to the throne and advised on matters of state. Prince Saionji's recommendations are said to have the greatest weight with the crown and to determine its course of action in deciding upon a new cabinet.

Whatever the final decision may be, it is fairly certain that the wishes of the mil-

itary will be taken into consideration. The army group insists upon a cabinet which will strive to cement the bonds between Japan and Manchoukuo, and the navy men who insist upon a cabinet willing to push Japan's demands for a navy equal in strength to those of the great western powers. Both courses will naturally involve the expenditure of huge sums for armaments and further strain the Japanese budget.

\* \* \*

**Great Britain:** It's not so much a question of how to pay it as the amount to be paid that perturbs the British government. That is what the British replied to Secretary Hull's suggestion that part of the war debt installment might be paid in goods. "In the view of His Majesty's government, the primary question for settlement is the amount that should be paid, having regard to all the circumstances of these debts," wrote the British *chargé d'affaires* in Washington to the State Department. Great Britain feels that the semiannual payments due the United States government should be scaled down in view of the fact that she is no longer receiving money from Germany on account of reparations. Restating the position taken in their previous note of June 4, the British declared: "What they said was that it would be impossible for them to contemplate a situation in which they would be called on to honor in full their war obligations to others, while continuing to suspend all demands for payment of the war obligations due to them. This was a statement not of law, but of fact." This is the position which most of the debtor nations have taken in defaulting.

\* \* \*

**U. S. S. R.:** Conflicting reports of Soviet progress continue to appear. The second year of the second five-year plan is now half over, and government leaders of industry have been taking stock of the advances made to date. Official figures show that the industrial program as a whole is not quite up to the exacting schedule laid out for it. Heavy industry, however, is ahead of the estimates made in the plan. The program called for heavy industry production twenty-three per cent ahead of the same period last year; actually the statistics reveal an increase of twenty-eight per cent. Gold and iron pro-

duction have gone forward rapidly. But the newspaper *Pravda* says: "Too little has been done to improve the quality of production."

At the same time it is charged by Dr.

Ewald Ammende of Austria, representing Cardinal Innitzer, the archbishop of Vienna, that "unimaginable" famine exists in many quarters of Soviet Russia today. Dr. Ammende arrived in New York last week to represent a famine relief committee organized by the archbishop. He predicts that 10,000,000 Russians are in danger of starvation. In reply Soviet officials state that these charges are entirely false, and ask why the Austrians are not more concerned over the "known" hunger and want of their own people.

\* \* \*

**Cuba:** President Roosevelt has declared an embargo on the shipment of arms, explosives, munitions and other equipment for military purposes to Cuba except under license from the State Department. This action was taken in accordance with the joint congressional resolution on arms embargoes in cases involving domestic strife in Latin America which was passed in 1922. The Cuban government has complained that arms and explosives have recently been smuggled to Cuban political factions from the southern United States in violation of Cuban law. Liberals were quick to point out that the new embargo affects shipments only to opponents of the present Mendieta régime. Firms which desire to sell arms and munitions to the Cuban government itself may do so by obtaining the approval of the Cuban embassy and the State Department. On the other hand, those Cubans who are not in sympathy with the Mendieta government are now forbidden to buy war materials in the United States.

\* \* \*

**Yugoslavia:** French Foreign Minister Louis Barthou fared less well in the capital of Yugoslavia than in Rumania where he was greeted with wild enthusiasm. In Belgrade, the official reception extended to the French cabinet member was cordial, but there was a marked lack of popular joy at his arrival. In the first place, it was apparent that many Yugoslavs, long feeling the pinch of agricultural depression, are doubting the value of French friendship from a pecuniary

point of view. The interest burden of French loans is heavy and the people are hard put to it to make payments. Moreover, a commercial treaty recently concluded with Nazi Germany has led to tangible results, in the form of increased trade, which many feel outweigh the value of French friendship. At any rate, there was a definite atmosphere of frigidity in Belgrade during M. Barthou's visit.

Nor can it be said that M. Barthou accomplished all the political results for which he hoped. He was unable to convince King Alexander, who rules the country as an iron dictator, that he should extend recognition to Soviet Russia. The king said that he would bide his time until autumn. Another thing which must not have pleased the French politician was the spread of Fascism in the Kingdom of the Serbs, Croats and Slovenes. Fascism is known to have made rapid progress during recent months, and it is even rumored that Alexander has in mind the establishment of a Fascist régime of the Nazi brand. All of which must have made Louis Barthou wonder about the future relations of the two countries as he boarded the train for Vienna.

\* \* \*

**China:** The situation in the Far East continues to resemble in many respects the gradual adjustment of Europe in the early years of the century, on the way toward 1914. That is, serious crises are not apparent just now, but the interplay of forces indicates that a crisis could very well be in the making. An editorial paragraph in *The Living Age* brings out the following interesting information:

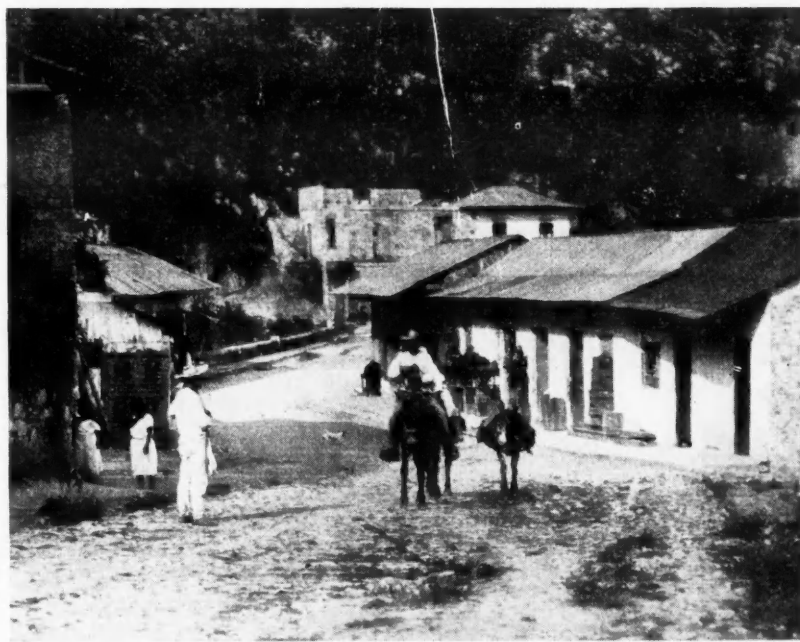
Writing in the American-owned *China Weekly Review* of Shanghai, George K. T. Wang throws still more light on Great Britain's anxiety for Australia. It seems that "a certain influential Chinese leader" who fought against Japan in Manchuria has just returned from a tour of investigation through Indo-China, Burma, the Straits Settlements, the Dutch East Indies, and the Philippines, and reports that work on the Singapore naval base is proceeding rapidly. Five thousand men had supposed to complete this fortification between 1937 and 1939, but now 15,000 men are working at top speed in the hope of finishing the job by 1935. Two airports, one at sea and one on land, will accommodate at least 1,000 war planes, and the secret conference of admirals held early in the year at Singapore decided to take three steps in case of an emergency: first, the base itself and the crown colony at Hong Kong will be protected; second, if Japan invades North China British naval forces will concentrate in South China waters; third, close connections will be established with the Dutch naval forces in the East Indies.

## TERRORISM SWEEPS OVER GERMANY

(Concluded from page 6)

had contained socialistic planks designed to benefit the workingman rather than the industrialist. But all this has been thrown overboard. More than ever they will look upon Hitler as a man who betrayed them, who played into the hands of the large business interests which made it possible for him to gain power.

The question is, will these disaffected classes have the courage to rise up against Hitler in the future, or has the back of their movement been broken? And if they should eventually make such an attempt, will they be able to combat Hitler's well-organized forces, especially the well-trained army? These are important questions which cannot be answered now. Linked up with them is the desperate economic and financial plight of Germany. Can Hitler retrieve what Germany has lost economically under his leadership? If he can, the cause of radicalism may well be said to be lost. If he cannot, Germany's second revolution has not been crushed. It has only been postponed.



© Ewing Galloway

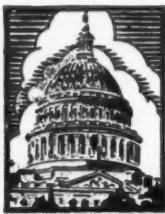
### MEXICO—THE VILLAGE OF ATOYAC

On the Cortez highway, the oldest overland road in North America, built at the time of the Spanish invasion. Cortez passed this way en route from Vera Cruz to Mexico City in 1519.



## The AMERICAN OBSERVER

A Weekly Review of Social Thought and Action



Published weekly throughout the year (except two issues in December) by the CIVIC EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$2 a calendar year. In clubs for class use, \$1 per school year or 50 cents per semester.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

### EDITORIAL BOARD

CHARLES A. BEARD HAROLD G. MOULTON  
GEORGE S. COUNTS DAVID S. MUZZEY  
WALTER E. MYER, Editor

VOL. III MONDAY, JULY 9, 1934 NO. 43

### The Exchange Commission

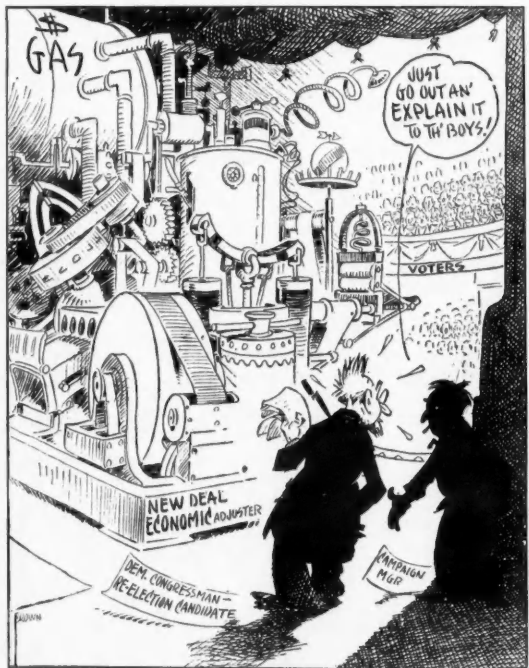
The following comment on the makeup of the new Securities Exchange Commission is from the New York *Herald-Tribune*, a Republican newspaper which up to this time has not greeted the prospect of exchange regulation with any enthusiasm:

The make-up of the Securities Exchange Commission, as announced by the president on Saturday, is cause neither for exultation nor dismay. As such bodies go, it is probably fair to say that its equipment is at least average and probably somewhat better than that.

The nomination of Joseph P. Kennedy, who seems to be scheduled to assume the chairmanship of the S. E. C., was predominantly a political one. Mr. Kennedy has had some general financial experience that will undoubtedly be of benefit to the commission, and he has undeniably enjoyed a sensationally successful career, for a young man, as banker and entrepreneur since his graduation from Harvard a few years ago. There is reason to feel, however, that his choice was dictated by his political rather than his financial background. He was an enthusiastic Roosevelt backer even before the convention of 1932, an intimate adviser to the then governor of New York, and a heavy contributor to the latter's campaign fund. Although Mr. Kennedy is presumably being installed as the representative of the exchanges on the new commission, it is interesting to recall that during the campaign it was pointed out that he was "not identified with Wall Street."

The nomination of Mr. Pecora was undoubtedly a recognition of the latter's work as counsel for the stock market investigation and of his part in drawing up the law providing for the commission. Aside from the fact that another Republican was needed to fulfil the terms of the law, the reasons for the naming of Mr. Healy are less obvious than those which accounted for the naming of Messrs. Kennedy and Pecora.

It is no reflection, necessarily, on the other appointees to say that the bulk of the strength of the new commission is to be found in Mr. Mathews and Mr. Landis, both of whom boast excellent qualifications for their work. Mr. Mathews, who formerly was a member of the Wisconsin Utilities Commission and subsequently a member of the Federal Trade Commission, knows the subject of security regulation thoroughly and is generally regarded as the most competent authority in the country on blue-sky legislation. As for Mr. Landis, he not only is an excellent lawyer and legislative draftsman, but he personifies perhaps more than any other of the appointees the spirit behind the "truth-in-securities" movement. A year or more ago Mr. Landis, a militant idealist fresh from the classrooms of Harvard, made no secret of the fact that he regarded the stock market as a useless appendage that should be amputated. Since that time, however, he has reoriented himself. He has lost none of his idealism, but he has mellowed swiftly as a result of his association with the practical problems of the securities business. Feared and distrusted by the financial district only a few months ago, today not only has he succeeded in allaying that distrust but, by his unquestioned intellectual honesty and by his willingness to fight for those things that he believes worth fighting for, he has captured both the respect and the confidence of Wall Street community.



NOW THAT CONGRESS HAS ADJOURNED

—Brown in N. Y. HERALD-TRIBUNE

### Do We Want State Medicine?

One of the main articles in this issue of THE AMERICAN OBSERVER discusses the subject of medical care. In recent years many people have come forward with plans for socialized state medicine. The liberal New York *World-Telegram*, in the following editorial, favors such a step at least for the underprivileged population:

Fifty thousand people die yearly in New York state for the lack of proper medical care. The remedy lies in some form of state medicine or socialized medicine. We are quoting from the medically sensational commencement address by Dr. Thomas Parran Jr., state health commissioner, at the Cornell University Medical College.

He called for health insurance, and declared that the cost of providing all the medical care needed to curb the 50,000 needless deaths a year is "easily within the collective ability of the state and nation to bear." The spirit of Dr. Parran's address was one of defiance to stanch champions of complete individualism in medical practice.

In the last year or two, the nation has received several radical reports from investigating bodies aimed in the direction of Commissioner Parran's proposals. It seems inevitable that, entirely apart from theory, depression conditions, depriving millions of people of sufficient funds to hire physicians and thousands of physicians of the means of livelihood, will produce rapid extension of state medicine in one form or another.

### The Politics of Business

Now that Congress has adjourned and the president has left on a vacation cruise, public attention will not be so much centered in Washington, says *Business Week*. And only one large obstacle to business activity is likely during the summer—the politics of congressional election campaigns. The business paper discusses that factor as follows:

There will be a flood of propaganda. Nobody objects to frontal assaults on the administration, or direct rejoinder. That is straightforward political warfare. What is not so good is the attack under cover. There will be a concerted, but subtle, effort to show, from apparently unbiased sources, that conditions are bad and getting worse.

In ordinary times, that sort of thing does no great harm. With business sentiment what it is just now, and the summer recession ahead, attacks on confidence this year may work serious mischief. There is only one effective antidote: Let us, until November, scrutinize speeches, interviews, and even statistics with a healthy skepticism as to source and motive.

Politics is a luxury that we business men cannot afford this year. Our interest in business recovery is greater than our stake in a by-election. Let us speak hereafter as business men, not as partisans. There are many reasons for not being inveigled into party conflict. There are even stronger reasons why business should speak with solidarity. Like it or not, nothing is going to be gained by irreconcilable opposition to everything this administration has done. But a great deal may be accomplished by united representations against those acts, policies and tendencies which business men generally agree are the most damaging to individual initiative, private investment and business profits.

Let us be specific. The group of irreconcilables who are still bitterly insisting that all the steps of monetary policy so far taken shall be retraced, back to the old dollar and the old gold standard, are simply wasting their energies in futile denunciations. They might better join forces with the realists who, whatever their opinion of what has been done, accept it as an accomplished fact, and work now to block the wild inflationists.

Similarly, the irreconcilables who would destroy NRA, root and branch, are wasting their breath. There are serious defects in NRA and in the codes. But NRA has solid values as well—values which some of the most important industries in the country are not going to surrender. How much better, then, to join forces with those practical business men who accept NRA as something here to stay, and work toward its reform.

Just now, one might wish for a "business" party, standing somewhere between the extremists who would reform everything, and the standpatters who would like to return to the "good" old days. Better yet, a business organization, non-partisan, which should express with vigor the business man's solid opinions.

### France Still Unsettled

While little news of a sensational character has come out of France in recent weeks, the political situation there is still far from being settled and secure, as this editorial review from the Baltimore *Sun* indicates:

Adolf Hitler is not alone in being confronted with a political crisis. His neighbor, Gaston Doumergue, premier of France, is likewise encountering serious difficulties, which of late seem to have been growing in magnitude. There has been no let-down in the street fighting in the principal French cities which began with the fatal Paris riots of February 6. Every week-end brings reports of disturbances and pitched battles. The hostility between the Left groups and the nationalists, royalists and Fascists on the Right seems to be increasing in face of the general supposition that these disorders would diminish under the calm and steady guidance of the Doumergue government.

The street fighting has been embarrassing enough to Doumergue. But now the restlessness reflected in these disorders appears to be infecting the Chamber of Deputies and so is making the government's position even more difficult. It is interesting to note that, whereas it was the confusion and excitement in the Chamber last winter that paved the way for the Paris riots, the process has now been reversed. Under the Doumergue truce the leaders of virtually all the parties except the extreme groups at either end pledged their support to the government. For a time the party members in the Chamber responded faithfully to this leadership and gave Premier Doumergue heavy majorities whenever he needed them. Recent tests, however, show that this majority support is growing progressively smaller. In several votes of confidence taken on Tuesday the government found its margin of safety approaching the vanishing point.

This rebellion in the Chamber of Deputies cannot have arisen from any change for the worse in the economic situation,



YOU'RE ASKIN' ME

—Talbot in Washington News

for the French situation has on the whole actually improved in the last few months. Foreign trade has improved, employment has picked up somewhat, the drain on the gold reserves has stopped, the government's finances are in better order and there is much less danger today than there was five months ago either of financial panic or of a precipitate devaluation of the franc. However, the virtual paralysis of government last winter released political forces which will prove difficult to check. This refers especially to the semi-Fascist movement which gained immeasurable impetus from the Paris riots. In addition, living costs have not come down and this affects the bulk of the workers and small merchants.

It is among these groups that unrest is running high, and it is their restiveness that has communicated itself to the Deputies who now are threatening the life of the Doumergue cabinet.

### Brains, Unlimited

The debate about brains in government—pro and con—continues. But, as the St. Louis *Post-Dispatch* points out, the administration has not changed its attitude, and still more brains are being drafted for federal service:

Far from being dismayed by recent expressions of hostility toward brains, the administration is enlisting more of them for the public service. The Treasury has just hired fourteen economists, most of them college professors, to inquire into questions of banking and currency, revenue and taxation. Their work will be directed by Dr. Jacob Viner, brilliant University of Chicago economist, who is now the principal adviser to the Treasury. One group will study the question of monetary standards, types of currency, types of credit institutions and the relations of credit and currency policy to business stability. Another will work on the administrative revision and simplification of the federal tax system, its relation to state and local revenue systems and the distribution of the tax burden. This group includes such recognized experts on taxation as Roy Blakey of the University of Minnesota, Henry F. Walradt of Ohio State University and K. M. Williamson of Wesleyan University. Their findings will be utilized in the formulation of the monetary and fiscal policies of the Treasury. Political fulmination has happily failed to convince official Washington that expert knowledge should constitute a disqualification for public service.

### A New Kind of Figure

Statistics parade across the pages of our newspapers, as the United States pauses now and then to examine the extent of recovery. The Detroit *News* is jubilant over the appearance of the year 1929 comparative figures:

The Bureau of Foreign and Domestic Commerce reports that the sale of automobiles in May was 83 per cent higher than last May and more than 100 per cent over May, 1932, but 44 per cent under May, 1929.

But that's something. When Uncle Sam has to go back to 1929 for comparable figures, it shows that something serious has happened to the depression, even though the 1934 statistics are still below the mark of five years ago. Hitherto, we've been tickled pink when the results of the past two years were topped, showing that the business tendency was upward. Now we're beginning to shoot at prosperity.

England's national debt is now 240 years old. That beats us, but time will cure that. —Wichita EAGLE

Even the automobiles have caught the spirit of the New Deal, and are knocking out pigs on the highway. —Cincinnati TIMES-STAR

Scientific invention must continue, but social invention must provide an efficient distribution of purchasing power adequate to the flow of mass production. —Charles A. Beard

Four Rhodes scholars were mistaken for Dillinger and his gang by a Stratford-on-Avon innkeeper. Only an Englishman would have made that mistake. Americans all know that Dillinger and his gang are in hiding for fear of being mistaken for the Brain Trust. —CHRISTIAN SCIENCE MONITOR



## WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

### Big Business

"Understanding the Big Corporations," by the Editors of Fortune. New York: McBride and Company. \$3.

IT should be stated at the outset that this book is not a compilation of statistics, an analysis of corporate balance sheets, or an explanation of the intricacies of holding companies and trusts. The editors of *Fortune*, in surveying a number of our leading corporations, have avoided all that. They have not written a book for the expert accountant or student of corporate finance. They have endeavored to describe eleven American corporations in such a way as to capture the fancy and understanding of the average reader. And that they have done with unusual skill and complete success.

Personality plays a large part in this study. We learn, for example, a great deal about Henry Ford, the man, with all his eccentricities, as well as Henry Ford, the industrialist, the mechanical genius, who is "perhaps the greatest that this mechanical age has produced." We are also taken into the Ford plant at River Rouge where we see the workers and the officials. Nor are the authors opposed to the injection of humor in their account.

The authors do not confine themselves to a description of the various corporations as they exist today. They give the history and development of the giant organizations. Often they use the flashback method, as in the case of the International Harvester Company, where the story opens with an account of the merger of four corporations—the McCormick Harvesting Machine Company, the Deering Harvester Company, Warder, Bushnell and Glessner Company and the Plano Manufacturing Company—in 1902 into the huge trust, the International Harvester Company. Thence, they proceed back to the beginnings of each of the four companies, even to the days of the first McCormick, inventor of the reaper.

It would have been a splendid thing if the authors had broadened the scope of their investigation and presented a synthesized picture of corporate organization in the aggregate, showing such things as the proportion of income going to workers and the proportion going to managers, and owners, the effects upon distribution of wealth in the country today, and the responsibility of the corporations in bringing about the present disequilibrium between productive capacity and consumptive capacity. But apparently, they intended only that their work present a

graphic view of the corporations and the men behind them, leaving the other questions to the economists and the politicians. In that, they have fared well, for their book cannot but enlighten, in a pleasing and fascinating way, all who read it.

### Money and Its Problems

"Monetary Statesmanship," by Norman Lombard. New York: Harpers. \$4.

DURING these last few years of depression, and even before, for that matter, the country has been flooded with books, some good and some not so good, on the economic problems of our modern industrial civilization. Theories have abounded on all sides as to what should be done to correct the maladjustments of which we are all aware, and authors have rushed into print by the hundred to expound these various theories. These writings have become so profuse recently that it takes a discriminating person, indeed, to detect the good from the bad, the sound from the unsound. This is especially true of those who have written about monetary matters, for there are about as many theories about money as there are economists.

Mr. Lombard, it seems to us, has done what countless writers have done before him, and what just as many will do after him, that is, he has placed undue stress upon the monetary element in explaining the ills which afflict us. It cannot be denied that monetary policy is extremely important and does affect the economic state of a nation. But it is hard to believe that an unwise monetary policy can be responsible for all, or nearly all, our difficulties; or contrariwise, that a wise monetary policy could result in a perfect economic order.

All of which does not mean that Mr. Lombard's book should be discarded as worthless. It is an extremely clever exposition of a monetary theory adhered to by a large number of people in this country. The author, former vice-president of the Stable Money Association, believes that it is possible so to manipulate money and credit as to make the purchasing power of the monetary unit, the dollar or the pound or the franc, permanently stable. That is, as we all know, what the Roosevelt administration has been striving for with its gold and silver and credit programs. Events of the last few months would seem to indicate, however, that the theory, when put into practice, does not work out as it does on the pages of a book.

As for Mr. Lombard's treatise, it is extremely well written and clearly presented.

The history of money is traced adequately and interestingly. After completing the book, the reader has a fairly good idea of the functions and operations of money and banking. More than that, he has as clear a presentation as can be found anywhere, we believe, of the theory behind the Roosevelt monetary policy. Unfortunately, the book appears at a time when public interest in that aspect of the New Deal has waned and when other features of the recovery program have taken the spotlight.

### Emergency

#### Government

"Crisis Government," by Lindsay Rogers. New York: W. W. Norton and Company. \$1.75.

"CRISIS government"

is a term which Professor Rogers, of Columbia, applies to the arrangements made in various countries during recent years under which the traditional political machinery is supplanted by a greater concentration of power and authority in the executive department. Mr. Rogers first applied the term to the Poincaré cabinet of 1926 to which the French parliament abdicated, temporarily, a great deal of its authority and many of its functions. He now applies it to other countries, including the United States, the governmental machinery of which has undergone certain changes in order to meet the emergencies of the post-war period.

In the main, Professor Rogers' book is devoted to analyses of these various "crises governments." He explains how, for example, even before the advent of Hitler, the German government invoked the famous Article 48 of the Weimar Constitution on numerous occasions in order to give the executive branch of the government authority to cope with pressing national problems. In like manner, he analyzes the arrangement which has existed in our own country during the Roosevelt administration by which we have, in fact, had a strengthening of the executive's authority.

Mr. Rogers has little sympathy for the outright dictatorships which have been set up throughout the world. Dictators have not yet proved to the world, says Mr. Rogers, that they are better able to cope with grave national problems than are the parliamentary forms of government. He does believe, however, that it is often necessary for parliaments to relinquish some of their authority in times of emergency for the good of the state. But the transfer should be only temporary, as it was in France under Poincaré, in England under Lloyd George, and in our own country under Roosevelt.

There is, indeed, much meat in Mr. Rogers' survey of contemporary governments. Our chief criticism of his book would be the lack of direction and unity. As an exposition and analysis of political fact, the book is thoughtful and reliable, but it fails to answer many of the questions which naturally present themselves to those who would grasp the deeper signifi-



—Alkens  
HENRY FORD STILL LIKES TO TINKER WITH THE FIRST FORD IN THE SAME WORKSHOP IN WHICH HE PRODUCED IT.

cance and implications of "crisis government." Whether the methods Rogers suggests for guiding a ship of state over the shoals would be effective, no critic can determine in advance.

### Parlor Pinks

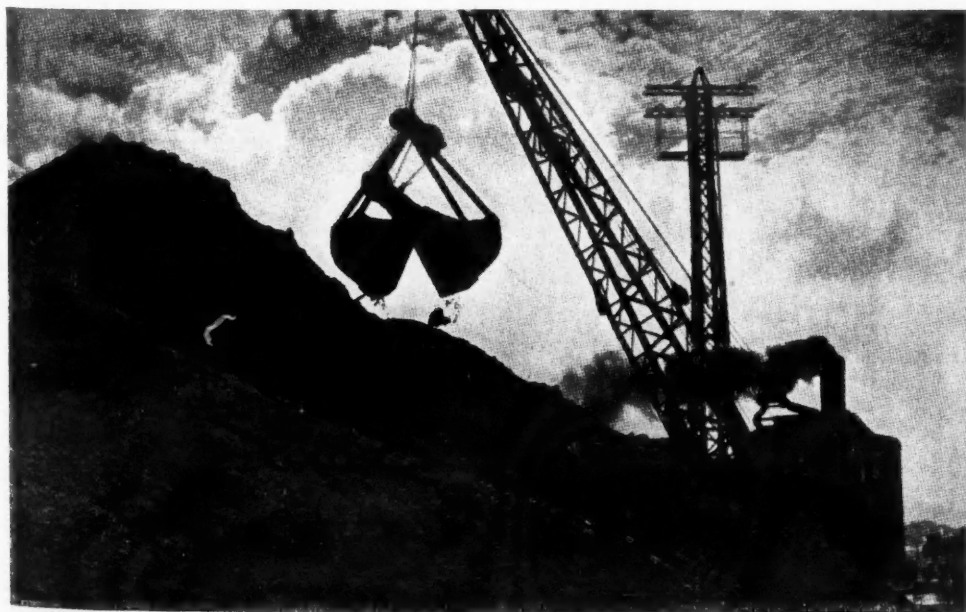
"The Unpossessed," by Tess Slesinger. New York: Simon and Schuster. \$2.50.

HERE is a first novel which has created a storm of discussion in New York literary circles, but has been treated with very little serious interest outside the metropolis. That is natural enough, for "the unpossessed" whom Miss Slesinger describes, are New York intellectuals. They are writers, artists, and professors who have declared their sympathy for the struggle of the working class, who have identified themselves with proletarianism.

Miss Slesinger describes them pitilessly, examines their thoughts, desires and emotions under a writing microscope, so to speak, which has a lens of satire. For she thinks these people merely pose, they never act. To counterbalance them, she introduces a little group of radical students who believe in less talk and more action. They are Professor Bruno Leonard's students; and Bruno Leonard is the most attractive character in the book, despite the fact that he is the most "do-nothing" individual of the author's sorry collection.

Certainly she has made her point. These people are to be pitied. For a first novel, the writing job is remarkably well done, especially since Miss Slesinger had handicapped herself by expanding what was originally a short story into a full-length novel. First published in the magazine *Story*, the short story is the last chapter in the book, and some of the foregoing chapters are merely repetitions of the same theme. If these intellectuals are really representative of the Marxian middle-class group, and that is open to question, then this group will never threaten the social order with a revolution. Unless one is interested in that subject, the book will not mean much.

"Whoever aspires to political power in this Republic," writes Stuart Chase in the July *Scribner's*, "must be prepared to give jobs or doles to upwards of ten million able-bodied citizens, and to spend enormous quantities of public funds. This primary axiom, needless to say, requires a huge collectivist organization." To outline just why this is necessary is the purpose of Mr. Chase's article. He gives six reasons why the economic system of this country has broken down.



MOUNTAINS OF SAND ARE CONSTANTLY DREDGED FROM THE RIVER BOTTOM TO FEED ABRASIVE TO THE GRINDING MACHINES OF THE PITTSBURGH PLATE GLASS COMPANY  
(Illustrations on this page are from "Understanding the Big Corporations.")



# Terrorism Sweeps Over Germany

(Continued from page 1, column 1)

with their wishes. The radicals were composed mainly of dissatisfied Storm Troopers who were anxious to have the socialistic plans in Hitler's platform carried out. The conservatives or reactionaries were pressing Hitler to modify the numerous excesses which have brought Germany to the verge of economic ruin and have left her without a friend abroad. These two groups came to a head-on clash in speeches made by Vice-Chancellor Franz von Papen for the conservatives and Propaganda Minister Joseph Goebbels for the radicals during the month of June.

Those speeches, however, were only straws which pointed the directions in which the conflicting winds were blowing. Neither Goebbels nor von Papen had any apparent connection with the revolts. In fact, the excitable minister of propaganda remained at the side of his chief throughout the crisis, and von Papen was placed under protective arrest, obviously to prevent his being killed by some of Hitler's thoroughgoing house cleaners.

## Captain Roehm

The real trouble sprang from other sources. It is reported that Captain Roehm had been assuming a more and more defiant attitude during the last few months. He is said to have had several violent sessions with Hitler, who, fearing the growing power and radicalism of the Storm Troops, and in deference to foreign opposition to this unofficial army, had decided to reorganize them and diminish their influence. Roehm was of course vigorously set against such action. It is reported that he was told to resign and replied, "I do not dream of going."

Hitler was moreover determined to get rid of Roehm because of the latter's gross immorality which, it is said, set a bad example to individual Storm Troop leaders. An enforced vacation was decreed for him and the Storm Troopers were ordered to their homes and told to lay aside their uniforms during the month of July. It was expected that most of them would not be called back into service at the end of that period and that the organization would assume an entirely different character thereafter. All semblance to a military unit would be destroyed.

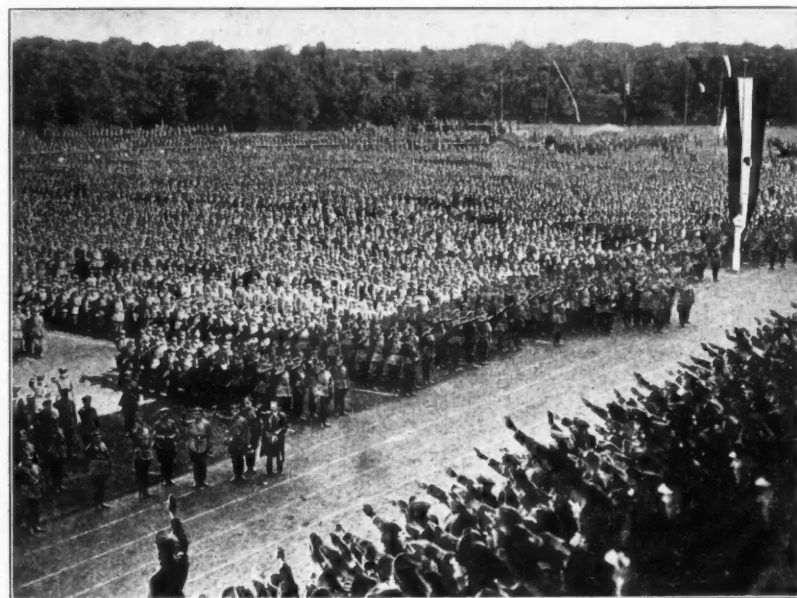
But Roehm did not accept this decision. Instead he plotted against Hitler, lined up faithful Storm Troop leaders and prepared to seize control of the government. The exact extent of this plot is not known. The authorities in Germany say that Roehm, who was in Munich, planned to fly to Berlin on the morning of June 30 and start a revolt. But whether plans had been so carefully and completely laid out is undetermined.

At any rate Hitler struck. He flew suddenly to Munich, arriving there at four A. M. Saturday morning (June 30). He proceeded at once to Roehm's quarters, aroused him and told him to don his uniform. Roehm did as he was told and then Hitler personally tore the Storm Troop leader's epaulets from his shoulders and had him placed under arrest. Roehm was given a gun and told to "take the consequences," in other words to commit suicide. He refused and asked, if he had to be shot, that Hitler do it himself. Der Führer would not accord him this honor and Roehm was executed.

## Goering Takes Action

Meanwhile other heads began to roll. Arrests were made right and left and Storm Troop leaders in strategic positions were executed. All this time Hitler was in Munich, but his presence was not needed in Berlin, for General Goering was present. It was Goering, really, who directed the arrests and executions. He did his work in a particularly effective and ruthless manner.

Another personality comes into the picture at this point, the colorful figure of Kurt von Schleicher, once heralded as the iron man of Germany. Much more un-



STEEL HELMETS—WHO WERE BACKED BY HITLER

© Acme

certainly surrounds his role in the drama than Roehm's. The most reliable report is that he was planning to seize power at a strategic moment—possibly taking advantage of the turmoil which would have resulted had Roehm deposed Hitler—and establish himself as military dictator. It is even said that von Schleicher and Roehm were plotting together with a view to establishing a coalition cabinet. Roehm needed von Schleicher because of the latter's influence with the Reichswehr, the regular army, and von Schleicher had to be sure of Storm Troop support. But the actual extent of cooperation between these two men who held such widely divergent views is not yet known. It is a mystery which may not be cleared up for some time.

## A Foreign Power?

It is also reported that von Schleicher—possibly with the connivance of Roehm—was plotting with a foreign power. If any finger is pointed in this respect, it is probably toward France. But this story is not widely credited. The two conspirators may have quietly sounded out foreign opinion to learn something about the reaction which would attend the execution of their designs, but that any foreign nation should have joined in the plot is highly improbable. The French have vigorously denied any complicity, and that fact that the German government has mentioned no names would seem to indicate that the accusation is groundless.

But whatever von Schleicher's intentions, he was summarily executed "while resisting arrest" by Goering's police in Berlin. His wife, who was with him at the time, was also shot. The removal of von Schleicher, whether justified or not, is a welcome incident to Hitler who has always hated him. The general, moreover, was the logical person to assume the position of military dictator in the event of Hitler's downfall. All the more reason for doing away with him.

Der Führer thus has trampled on the conservatives as well as the radicals. The killing of Erich Klausener, a leader of the Catholic Action Society, is also a

blow at the conservatives. The excuse given was that Klausener was slated for a ministerial role in the proposed von Schleicher cabinet. Whether or not this is true cannot be determined.

## Swing to Right

On the whole, however, Hitler's housecleaning has resulted in a decided swing to the Right. He has destroyed the radical factions in his own party. The Storm Troops will be reduced to a much smaller organization. Thousands of these troopers are adventurous, radically-minded individuals who played an enthusiastic part in helping to bring Hitler to power. A number of others are reputed to be ex-Communists who joined the Hitler camp when they saw that their own cause was hopeless. Under the militant direction of Roehm the Storm Troops were in a position to exert considerable pressure on Hitler. They will no longer be able to do this.

Hitler is leaning for military support now on his own personal bodyguard, the Schutzstaffel, on Premier Goering's special police, and on the Reichswehr or regular army, which has come out in open support of his régime. He has also the sympathy of the Stahlhelm which he defended when Roehm and other Storm Troop leaders wanted to disband this organization of war veterans. The dispute over this issue was

one of the immediate reasons for Hitler's determination to rid himself of Roehm and the Storm Troops. Another reason is said to lie in his recent conversations with Mussolini, who urged him to crush the left wing in his party.

Relying on these elements Hitler may be expected to follow a more moderate course. He will probably do as his conservative economic advisers, Dr. Hjalmar Schacht, head of the Reichsbank, and Dr. Kurt Schmitt, minister of economics, wish him to. It is likely that he will make renewed attempts to win the friendship of foreign nations. He may make new overtures on the disarmament question, arguing that the abolition of the Storm Troops has removed the principal objection to arms reduction on the part of other powers.

It appears that Hitler will also reorganize his cabinet. Vice-Chancellor von Papen, who, while not connected with any plot against Hitler, has nevertheless won disfavor by his recent public criticism of the régime, seems slated to go. At first there was some fear that von Papen would suffer the fate of von Schleicher, but his close friendship with President von Hindenburg saved him. The president was reported to have made the army responsible for the safety of the vice-chancellor. Von Papen, if he is obliged to resign, will probably be replaced by Premier Goering, who, next to Hitler, is the strongest man in Germany.

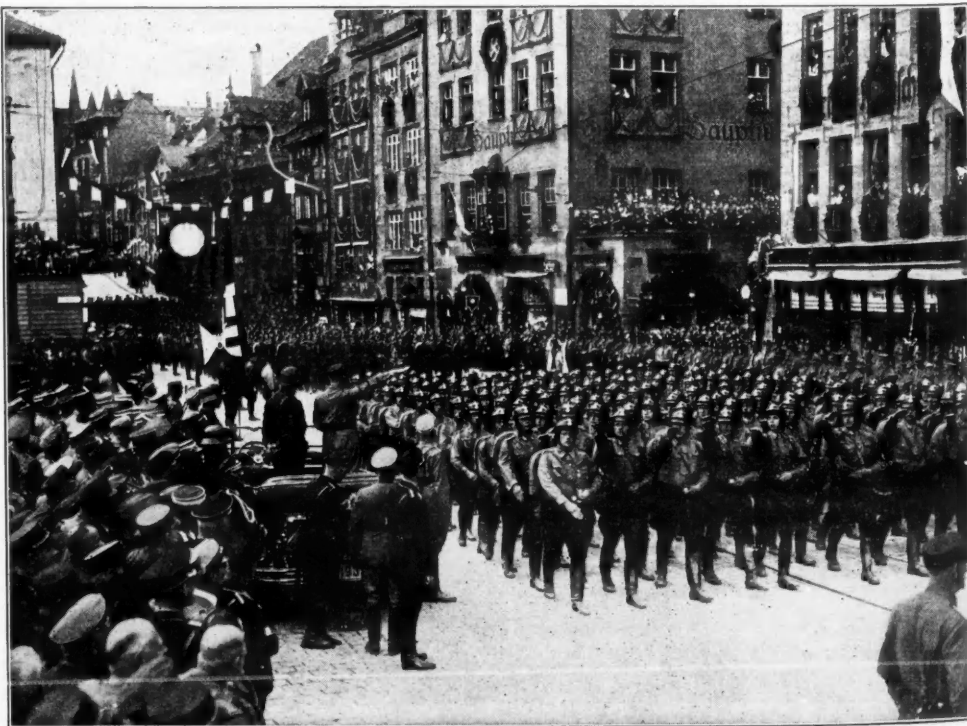
In addition to appointing a new vice-chancellor, it is not unlikely that Propaganda Minister Goebbels' functions will be reduced. He has remained loyal to Hitler, and his usefulness as a speech-maker may retain for him a place in the cabinet. But he will not be permitted to exercise such a strong radical influence in the future.

## Is It Over?

Such is the trend in Germany at the present time. How long it will continue remains to be seen. Hitler has reestablished his power by resorting to terrorism. So many leaders have been killed that the multitudes may be disheartened and may fear to join in any movement against Hitler, lest they lose their heads in the process. This fact may keep the situation in Germany quiet for some time to come.

But the causes of the revolt are deep-seated and have not been cured. There is no doubt that many thousands of Germans are dismayed by the actions of their heretofore beloved chancellor. He had promised them a real revolution. His platform

(Concluded on page 3, column 4)



THE STORM TROOPERS—WHO SUFFERED DEFEAT IN THE HITLER HOUSECLEANING

© Acme



# Group Medical Practice---the Trend and Issue

(Concluded from page 1, column 4)

the Costs of Medical Care. They were five years in the making. The committee was supported by eight well-known foundations, and was headed by Dr. Ray Lyman Wilbur, secretary of the interior under President Hoover. The period under observation covered both good times and bad. In addition to finding that the cost of securing adequate medical care is too great for the vast majority of wage-earners, the committee also reported that the earnings of the average physician are low. This seems to indicate that a reorganization of our medical system might be of advantage to both doctors and patients.

The committee further reported that the distribution of physicians is poor, so that there are too many doctors in certain urban areas and too few in many rural communities. Hospital facilities are not available

those cases, the funds could be raised by taxation, state or local, and supplemented by federal taxation if necessary. In many instances a combination of the two methods would have to be used, the people contributing according to their ability and the government making up the deficiency.

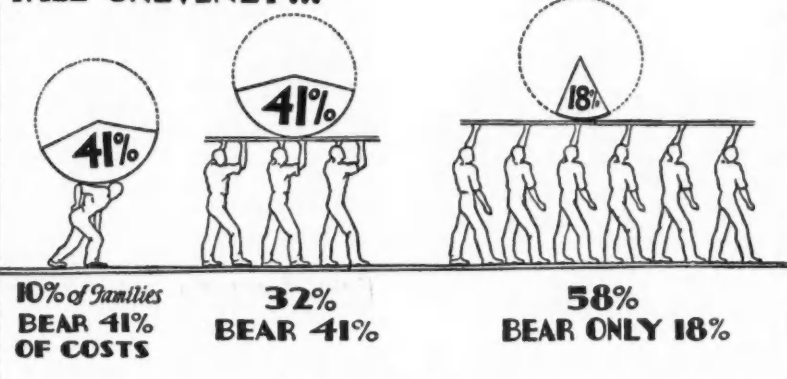
Group payment plans could be worked out so as to give adequate treatment at a per capita cost of about \$30 a year, according to the committee. Such a plan would solve the unequal distribution of medical costs. No family would find itself suddenly confronted with unbearable expenses resulting from unexpected illness. Each family could budget itself and know exactly how much to allow for health expenses, whereas it is now impossible to make accurate health budgets. Moreover, physicians, by combining their efforts, could cut down their expenses. They would not have to duplicate expensive equipment to the extent they do at present.

If this plan offers a solution to the problem of the cost of sickness, why has it not been put into effect? Briefly because it is not popular with the majority in the medical profession. The American Medical Association, composed of approximately 100,000 physicians, has fought against this proposal or similar ones at every opportunity. It brands the plan as socialization, declares that it threatens to break up the personal relationship between doctor and patient, and contends that such a plan would inevitably lead to state medicine, thereby placing doctors under politicians. A physician in the successful New York play, "Men in White," expresses the opinion of many of his colleagues when he remarks that they would consent to state medicine only if they were first allowed to put the politicians on operating tables and "remove their acquisitive instincts."

## Ross-Loos Clinic Dispute

The contest over this issue is coming more and more into the limelight, particularly in Los Angeles. The Los Angeles County Medical Association is now waging a campaign against the Ross-Loos clinic, a private clinic which operates in Los Angeles and twenty suburban towns. By paying the small sum of two dollars a month, a subscriber to this clinic is guaranteed medical care for himself and members of his family. About 50,000 persons are cared for by the clinic, including members of the city police, fire and civil service departments, teachers and others. It has been in operation since 1929 and both patients and doctors seem contented. The Committee on the Costs of Medical Care called attention to this unique establishment. However, Doctors Ross and Loos, the clinic's founders, were recently dismissed from the County Medical Association. Many reasons were given but the chief bone of contention was unmistakably group medicine versus individual medicine. The two doctors are taking the matter up with the state medical society and threaten

## Sickness COSTS FALL UNEVENLY...



to carry their troubles to the American Medical Association unless they are reinstated. It is doubtful, though, if they receive much sympathy from the national organization, in the light of its present attitude on this question.

## What Is the Trend?

It seems to be the opinion of most non-partisan writers on the subject, however, that physicians are waging a losing battle. They believe that the trend is definitely toward collective action on the part of doctors and medical consumers. They think that systems of group practice and group payment will continue to spread in order to enable the patient to pay his bills and to give the average physician an adequate, regular income. Their beliefs are founded on the growing movement in this direction. Just recently the American College of Surgeons, when meeting in Chicago, endorsed health insurance as a means of providing "more adequate medical service for the whole community." It favored the principle of periodic prepayments by Americans of moderate means for hospitalization and medical care.

Then, too, the American Hospital Association is supporting a plan for insurance to cover hospital and nursing costs. Those who contribute a small weekly or monthly payment, under this plan, are guaranteed rooms and treatment in hospitals for as long as they should be confined. By the end of 1933, group hospitalization plans were in effect in thirty cities, in twenty-one different states, affecting more than one hundred hospitals, and they are under discussion or in process of organization in some fifty additional cities.

Furthermore, health insurance plans are in effect in certain industries and educational institutions. Since 1919 the Endicott-Johnson Company, operating in cities in New York, has furnished full medical care to its 18,000 workers and their families, totaling 50,000 people. The company doctors, dentists and nurses are paid for by the company out of current earnings. The cost per person to the company averages \$20 a year, but it has been found that

the employees keep in better health, miss fewer days of work, and are generally more satisfied than most employees. In normal times, nearly 2,000,000 workers receive more or less complete medical care under company sponsorship.

Then there are the student health services in more than 150 American colleges and universities. Well over 1,000,000 students participate in such groups. Some of these institutions charge students small annual fees for complete medical services, while others do so only in part.

The War Department, too, provides its officers and men, along with their families, with full medical care. When one joins the army his worries concerning the cost of sickness are at an end, relieving him of one of the greatest uncertainties of life.

Nearly all European nations have health insurance of one kind or another. Members of the Committee on the Costs of Medical Care who investigated these systems declared that "there is practically no important opposition to the principle of health insurance in any country where it now exists."

## What Do You Think?

The supporters of health insurance in this country contend that doctors and patients alike would benefit by the group payment, group practice, system. Doctors, they say, would have less difficulty in collecting their bills and patients would receive more adequate medical care. Citizens, it is felt, would be more likely to have frequent examinations, thus saving thousands of lives annually—lives now being destroyed by diseases which have progressed to such an extent that they cannot be checked.

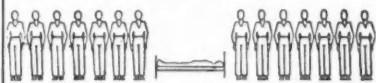
Thus the battle lines are drawn. The next few years may tell whether the American Medical Association will win its fight to maintain the traditional private practice of medicine or whether it will be forced to yield to a growing collective sentiment. It should be said, however, that most of those in favor of collective action nevertheless believe that any measures aimed at setting up health insurance should be controlled by the medical profession, so that progress in this vitally important field will not be retarded by unknowing outsiders.

Although President Roosevelt has not expressed himself on the matter of health insurance, he has included this subject among those to be studied this summer by his recently appointed Committee on Economic Security (see page 8). The report of this committee will be awaited with keen interest.

When Mr. Roosevelt was governor of New York he called attention to the inadequacy of a system under which a large portion of the population is unable to receive sufficient medical care. Another prominent New Yorker, just last week, also warned against such a situation. Dr. Thomas Parran Jr., New York State Health Commissioner, declared that 50,000 people die annually in New York for lack of proper medical care (see page 4).

## Hospitalized Illness

STRIKES ONLY ONE PERSON IN 15 PER YEAR



## BUT IT COSTS

HALF OF ALL FAMILY EXPENDITURES FOR ILLNESS



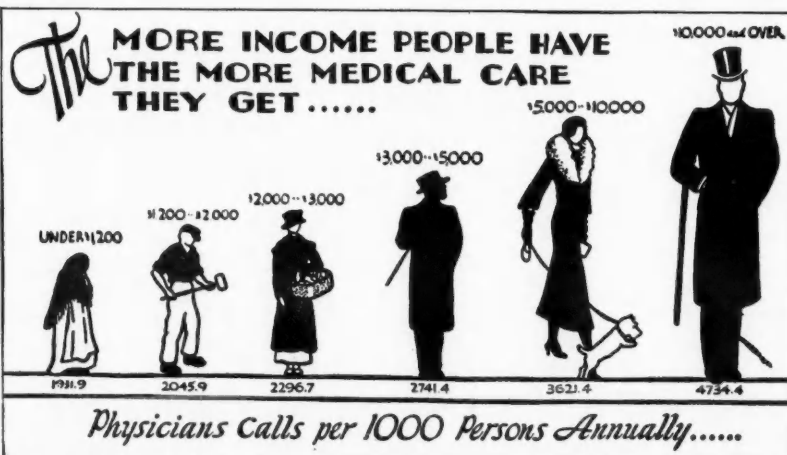
to a majority of the sick, and preventive medicine and treatment are insufficiently developed. This latter defect is of particular significance. Only a cent or two of every medical dollar is spent for preventive treatment. This means that a large majority of the people fail to have annual physical examinations, or go to the dentist regularly. The well-known proverb, "An ounce of prevention is worth a pound of cure," is especially pertinent in the matter of health.

The committee did not consider its task finished by merely pointing out the defects in the treatment of sickness. It made concrete suggestions as to how it thought these weaknesses could be overcome. It recommended that "community medical centers" be established in cities throughout the country. They should be built around hospitals and should furnish all types of medical service, in the opinion of the committee. Such centers, to be successful, would require the cooperation of most of the doctors of a given city. Most of them would give up their private practices and become attached to the medical center.

The committee suggested that the doctors be paid on a salary basis, the amount depending on each one's ability and experience. The personal relationship between doctor and patient would be preserved by allowing patients to choose their own physicians.

## Fixed Payments

The methods of payment for services rendered under the proposed group practice system would be taxation or insurance. If the insurance plan were adopted, families would contribute a fixed sum every week or month. They would thus have health insurance, and when any member of eligible families required treatment, either preventive or curative, he could go to the center and receive the services without further expense. There are many communities, however, where the inhabitants have such small incomes that they could not afford the weekly or monthly payments. In



The illustrations on this page are from "A Picture Book About the Costs of Medical Care," published by the Julius Rosenwald Fund, 4901 Ellis Avenue, Chicago, which will gladly send information on these and other aspects of the costs of medical care.





# The National Capital Week by Week

## A Record of the Government in Action



FOR the first time in more than five months, President Roosevelt on the evening of June 28 sat before a microphone in the White House and delivered another "fireside" talk to the American people. It was an account of various steps in the administration program, past and present. He had been urged by some of his advisers to make such an address while Congress was in session, to clarify public sentiment as critical legislation came before the lawmakers. This he declined to do, however, lest the action be considered an invasion upon Congress' traditional freedom of choice. He did not believe any such suggestion of pressure should be exerted upon the people's representatives.

The president felt justified, then, for this and other reasons, in quoting toward the close of his talk John Marshall's words—"we remain emphatically and truly, a government of the people." To back this assertion, Mr. Roosevelt outlined the accomplishments of the present Congress which, he said, was more nearly free from political narrowness than any other in recent history. And to clinch his argument that the recovery efforts of the last year have helped the mass of population, he told his listeners: "The simplest way for each of you to judge recovery lies in the plain facts of your own individual situation. Are you better off than you were last year? Are your debts less burdensome? Is your bank account more secure? Are your working conditions better? Is your faith in your own individual future more firmly grounded?"

### A Reply to Critics

This was an effective answer to critics who, according to the president, "will try to give you new and strange names for what we are doing . . . fascism . . . communism . . . regimentation . . . socialism . . . but in so doing, they are trying to make very complex and theoretical something that is really very simple and very practical." To prove that the original framework of democracy stands firm, he asked each individual to read the Bill of Rights and ask himself whether any of these constitutional guaranties had been removed by the Roosevelt program. Then, using the present remodeling of the executive offices in the White House as an example, the president showed how original and traditional plans, both in architecture and government, may be retained, even when necessary additions and modernization of parts of the structure take place.

Before leaving on his month's vacation cruise through tropical waters on the cruiser *Houston*, the president dominated the Washington scene and the official news of the week. He cleared away a mass of work, involving several important bills passed by Congress and an unusually large number of major appointments, and as the ship steamed southward the chief executive was able to relax immediately, confident that the machinery of government would run smoothly in his absence.

Perhaps the greatest public interest was

attached to the membership of the new Stock Exchange Control Commission. Mr. Roosevelt announced the appointment of Joseph P. Kennedy of New York for a five-year term, George C. Mathews of Wisconsin for four years, James M. Landis of Massachusetts for three years, Robert E. Healy of Vermont for two years, and Ferdinand Pecora of New York for one year.

Mathews and Landis are members of the Federal Trade Commission. Their names on the new commission came as no sur-

prise. Mr. Pecora is well known as counsel for the Senate Banking and Currency Committee during the extensive investigation of security exchanges. Healy is counsel for the Federal Trade Commission. As for Joseph Kennedy, his nomination was not unexpected, but the fact that he was given the five-year term upset advance predictions. He is known as an experienced Wall Street trader, and has participated in various stock syndicates in the past. During the last presidential campaign, he contributed his time and money to the Roosevelt cause and was known as a close

friend of the family. Since that time, however, he has been left out of the political picture. Kennedy is the only member regarded as a representative of the Wall Street speculative interest. No chairman was named by Mr. Roosevelt, and it is thought probable that Kennedy will be elected for that post by the other members, in order to balance the strength of the "liberal" majority.

Other appointments included three members for a National Labor Relations Board,

the radio, telegraph and telephone lines of the nation. Two members of the old radio governing body are board members; Eugene O. Sykes of Mississippi is the chairman, and will serve a seven-year term, while the six other commissioners will serve shorter periods in office, after the manner of the stock exchange control group.

James A. Moffett, prominent oil man, was given the highly important position at the head of the new housing administration. General Johnson and Harry Hopkins had both been mentioned as likely men for this job, but the president selected Moffett on the basis of his record as an able Standard Oil executive.

The president took the first step in carrying out his pledge to insure the future social well-being of the United States when he selected an interdepartmental committee to make a study of various parts of his social program. This is the plan recently announced in a message to Congress, dealing with unemployment insurance, old-age pensions, and other types of social legislation which the president hopes to shape during the next session. The secretaries of labor, agriculture, and the treasury, the attorney general, and Relief Administrator Harry Hopkins compose the committee. In addition an advisory council will be called in to aid in the necessary research.

### Bills Escape Veto

Last-minute presidential approval was given to two bills passed in the closing days of the Seventy-Third Congress. The Frazier-Lemke bill, providing a new method for farmers to avoid foreclosure of their property under bankruptcy proceedings, was made law by Mr. Roosevelt's signature just before the "deadline" for avoiding a pocket veto. (If Congress adjourns within less than ten days after the president has received a bill, his failure to sign it within the ten-day period automatically kills the measure. This is called a pocket veto.)

Sentiment on the Frazier-Lemke bill has been sharply divided, but the president, in his message of approval, said that in his opinion its virtues outweigh its faults. He believes it will be effective because the threat of bankruptcy proceedings to prevent foreclosure will cause creditors to seek refinancing methods for farm debts.

The other bill signed at the last possible moment was the railroad pensions bill. This law establishes a railroad pensions board, to which railroad companies will pay fixed contributions on the basis of payrolls, and to which employees will contribute in smaller proportion. The funds thus collected will be used for retirement of railroad employees at the age of sixty-five, and for unemployment insurance. Most of the large roads already provide for pensions in this manner, but employees of smaller companies have been less fortunate. The law is expected to end all such deficiencies and to make pension plans uniform.



IT'S APT TO BE A WARM SUMMER — POLITICALLY  
—Carmack in CHRISTIAN SCIENCE MONITOR

prise. Mr. Pecora is well known as counsel for the Senate Banking and Currency Committee during the extensive investigation of security exchanges. Healy is counsel for the Federal Trade Commission. As for Joseph Kennedy, his nomination was not unexpected, but the fact that he was given the five-year term upset advance predictions. He is known as an experienced Wall Street trader, and has participated in various stock syndicates in the past. During the last presidential campaign, he contributed his time and money to the Roosevelt cause and was known as a close

to supplant the present labor board, and the new Federal Communications Commission which, under the new law passed by Congress, replaces the Federal Radio Commission. Lloyd Garrison, dean of the University of Wisconsin law school, was named chairman of the labor board. The other members are Harry Alvin Millis of the University of Chicago economics department, and Edwin S. Smith, present NRA labor compliance officer for Massachusetts.

The board set up under the communications act will place under federal control

## Something to Think About

1. How does our present system of medical practice make for insecurity in millions of homes?
2. Explain why you believe that group payment systems would or would not remove this insecurity.
3. What is the annual cost per family for medical service received at the Ross-Loos clinic in Los Angeles? Why were Doctors Ross and Loos ousted from the County Medical Association?
4. Why are the majority of physicians so opposed to health insurance? In your opinion, does their line of reasoning outweigh the claimed advantages of group medicine?
5. As a result of the "cleansing" of June 30, do you believe that Chancellor Hitler's position is more or less secure? State your reasons in full.
6. What indications are there that Hitler, in building up a strong Storm Troop organization, had created a Frankenstein which threatened to destroy him?
7. Do you believe that Hitler will be inclined now to follow more closely the socialistic or the nationalistic features of the party program? What may be the political consequences of such a course? The economic consequences?

8. Tell how workers will benefit by the new unemployment insurance law in Wisconsin.
9. What is the measure of recovery benefits suggested to the American people by President Roosevelt in his radio talk?
10. How is the outcome of the Japanese cabinet crisis likely to affect the 1935 naval conference?

REFERENCES: (a) Public Health and Private Doctors, and other articles. *Survey-Graphic*, April, 1934, pp. 149-167. (b) Cutting the Cost of Sickness. *Review of Reviews*, June, 1934, pp. 30-34. (c) Mutualizing Medical Costs. *Survey-Graphic*, June, 1934, pp. 285-286. (d) Is Germany Facing Bankruptcy? *Current History*, July, 1934, pp. 425-430.

PRONUNCIATIONS: Der Führer (dair fue'r-er—u and e pronounced simultaneously), Ernst Roehm (airn'st rum—u as in burn), Kurt von Schleicher (koo'rt fon shly'kair—y as in sly), Karl Ernst (karl' airn'st), Erich Klausener (air'eeek klous'ner—ou as in cloud), von Bose (fon bo'say—o as in rose), Hermann Wilhelm Goering (hair'mahn veel'helm gu'ring—u as in burn), Goebbels (gu'bels—u as in burn), Anschluss (ahn'shloos), Kurt Schmitt (koort' schme't), Hjalmar Schacht (hahl'mar shah'kt), Hapsburg (hahps' boorg), Benes (be-naish'), Makoto Saito (ma-ko'to si'to—o as in go, i as in ice), Kimmochi Saionji (kee-mo'chee si-on'gee).